

**Government of the District of Columbia**  
**Department of Insurance, Securities and Banking**



**Thomas E. Hampton**  
**Commissioner**

**BEFORE THE**  
**INSURANCE COMMISSIONER OF**  
**THE DISTRICT OF COLUMBIA**

Re: Report on Examination - **Government Entities Mutual, Inc.**, as of December 31, 2007

**ORDER**

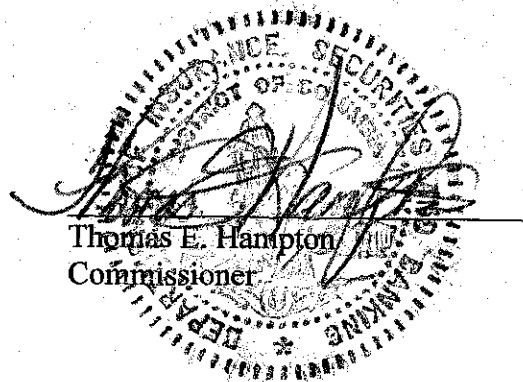
An Examination of **Government Entities Mutual, Inc.**, as of December 31, 2007 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 19<sup>th</sup> day of February, 2009, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

  
Thomas E. Hampton  
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

GOVERNMENT ENTITIES MUTUAL, INC.

AS OF

DECEMBER 31, 2007

NAIC NUMBER 11687

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Washington, D.C.  
September 5, 2008

Honorable Thomas E. Hampton  
Commissioner  
Department of Insurance, Securities and Banking  
Government of the District of Columbia  
810 First Street, NE, Suite 701  
Washington, D.C. 20002

Dear Sir:

In accordance with Section 31-3931.14 of the District of Columbia Official Code, we have examined the financial condition and activities of

**Government Entities Mutual, Inc.**

hereinafter referred to as the “Company” or “GEM.”

**SCOPE OF EXAMINATION**

This full-scope examination, covering the period from December 19, 2002 through December 31, 2007, including any material transactions and/or events noted occurring subsequent to December 31, 2007, was conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

Our examination was conducted in accordance with examination procedures established by the Department and procedures recommended by the National Association of Insurance Commissioners (“NAIC”) and, accordingly, included such tests of the accounting records and such other examination procedures as we considered necessary in the circumstances.

Our examination included a review of the Company’s business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2003 through 2007. We placed substantial reliance on the audited financial statements for calendar years 2003 through 2006, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2007. We obtained and reviewed the working papers prepared by the independent public accounting firm

related to the audit for the year ended December 31, 2007. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's workpapers. We also placed reliance on the work of the Company's independent actuary and therefore did not conduct an independent actuarial review of the Company's loss reserves as part of the examination.

## **STATUS OF PRIOR EXAMINATION FINDINGS**

This is the first examination of the Company.

## **HISTORY**

### **General:**

Government Entities Mutual, Inc. is an association sponsored captive insurance company domiciled in the District of Columbia. The sponsoring association is the National Association of Government Entity Programs, Inc. The Company received its certificate of authority on December 19, 2002, and commenced operations on January 1, 2003. The Company is capitalized and controlled by member public entity insurance pools. The Company provides reinsurance to its members on an excess of loss basis for liability, workers' compensation, auto physical damage and property.

### **Membership:**

GEM is one hundred percent owned by its members/policyholders, and capitalized with surplus contributions from its members. GEM has three membership classes 1) Founding, 2) Premiere and 3) Associate. Founding members are those that made a surplus contribution prior to October 1, 2003. Premiere members are those that made a surplus contribution after October 1, 2003. Founding and Premiere members have one vote for each \$100,000 of the member's surplus account balance. During the period under examination, Associate members purchased reinsurance from the Company but did not make a surplus contribution and had no voting rights. Instead, they paid a minimum membership initiation fee of \$5,000 that was credited to a surplus account in accordance with the Member Surplus Contribution and Withdrawal Policy. Effective in April 2008, Associate members are now required to pay a surplus contribution of \$100,000, payable in equal installments of \$20,000 over five years. With this change, Associate Members will have voting power. GEM bylaws grant one vote for each \$100,000 of the Member's allocated surplus balance. As of December 31, 2007, the Company had eighteen members.

Members withdrawing from the Company within five years of becoming a member forfeit all surplus contributions. Members withdrawing from the Company after five years can either withdraw the surplus account or maintain the account. If the member elects to withdraw the account, such withdrawal will be completed, at the sole discretion of the board of directors and subject to approval of the Department, no later than five years from the date of notice of withdrawal.

Dividends and Other Distributions to Members:

During the period under examination, there have been no dividends or other distributions declared or paid by the Company.

**MANAGEMENT**

The following persons were serving as the Company's directors as of December 31, 2007:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Michael L. Rhyner, Chairman Michigan	Executive Director Michigan Municipal Risk Management Authority
Brett M. Davis Illinois	Chief Executive Officer Park District Risk Management Agency
Paul A. Genovese New Hampshire	Chief Executive Officer NH Public Risk Management Exchange
Michael Hammond Ohio	Executive Director Miami Valley Risk Management Association
Allen F. Hatten Washington	Executive Director Washington State Transit Insurance Pool
Lewis E. Leigh Washington	Executive Director Washington Cities Insurance Authority
Kevin C. Murphy Wisconsin	Executive Director Wisconsin Municipal Mutual Insurance Company
Richard F. O'Hare Virginia	Trust Administrator Virginia Transit Liability Pool
Gregory W. Womack Texas	Program Executive Texas Council Risk Management Fund
Robert A. Worthington Montana	Chief Executive Officer Montana Municipal Insurance Authority

The following persons were serving as the Company's officers as of December 31, 2007:

<u>Name</u>	<u>Title</u>
John M. Foehl, Jr.	President
Gregory Womack	Secretary
Marietherese D'Agostino	Treasurer

Committees:

As of December 31, 2007, the Company's board of directors had established the following committees:

Governance & Nominating Committee

Paul A. Genovese, Chairman  
Brett M. Davis  
Allen F. Hatten

Audit Committee\*

Pat Parsons, Chairman  
Eric Larson  
Martha Radamacher

Executive Compensation & Benefits Committee

Allen F. Hatten, Chairman  
Michael L. Rhyner  
Gregory W. Womack

\*The Company has requested and received approval from the Department that audit committee members are not required to be members of the Company's board of directors.

Conflicts of Interest:

Our review of the conflict of interest statements signed by the Company's directors and officers for the period under examination disclosed that there were no conflicts of interest reported that would adversely impact the Company. Furthermore, no additional conflicts of interest were identified during our examination.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors, members, and the committees for the period under examination. Based on our review, the minutes thoroughly document review and approval of all of the Company's significant transactions and events.

### **CAPTIVE MANAGER**

The Company has been approved by the Department to self-manage.

### **AFFILIATED PARTIES AND TRANSACTIONS**

As indicated in the “Membership” section of this report, the Company is one hundred percent owned by its members/policyholders. During the period under examination, the Company obtained technology support services from one of its members and reimbursed this member for these services. The Company also obtained treasury services from the same member, through June 30, 2006, and reimbursed this member for these services. Subsequent to June 30, 2006, the Company retained the services of its treasurer on a direct basis. In addition, the Company leases office space from one of its members.

All above services obtained from members are approved by the Company’s board of directors and documented via agreements. In addition, compensation paid to members for these services is deemed fair and reasonable, and overall is immaterial to the financial position and operations of the Company.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company maintains a fidelity bond policy with a \$5 million limit. This provides adequate coverage based on NAIC guidelines.

In addition, the Company maintains property, liability, workers’ compensation, directors and officers, and employment practices liability insurance coverages. The Company’s insurance coverage is deemed adequate.

### **PENSION AND INSURANCE PLANS**

The Company has established a 401(k) plan for employees. The Company provides an annual contribution to this plan in an amount equal to 10 percent of an employee’s base salary plus an additional amount based on the employee’s salary.

The Company has also established a Section 457 deferred compensation plan. The assets are held in trust on behalf of employees and are not included within the assets of the Company. In addition, the Company provides employee medical and dental insurance coverage to its full time employees.

## **STATUTORY DEPOSITS**

As of December 31, 2007, the Company did not have a statutory deposit in the District of Columbia and was not required to maintain any such deposits. In addition, the Company was not required to maintain statutory deposits with any other jurisdictions.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2007, the Company was only licensed in the District of Columbia. During 2007, the Company assumed approximately \$13.4 million in premiums from its eighteen members, located in fourteen states. GEM is exempt from Federal income tax because it has filed and was granted an exemption from Federal income tax under Section 115 of the IRS Code.

GEM functions as a niche market reinsurer, providing coverage to eligible member public entity insurance pools above the underlying retention of the pool. GEM requires a minimum pool retention of \$100,000. The Company's member/insureds retain varying limits with coverage attaching as low as \$100,000 and as high as \$3,000,000. Coverage provided by the Company above the retention is as high as \$1.8 million per occurrence. GEM's retention levels are reviewed annually by GEM's actuary and by management and are adjusted accordingly. The Company's policy is that the net amount retained by GEM in any one risk shall not exceed 15 percent of GEM's surplus. The Company's policies follow the form of the underlying policy issued by the Member. The member policies are primarily occurrence based however some coverages written by member pools are on a claims made basis.

GEM currently operates as a non-admitted reinsurer and posts collateral for members in states where it is required. Except for one member, Wisconsin Municipal Mutual Insurance Company, none of the members are required to follow NAIC reporting requirements and therefore the member pools are allowed to take credit for the reinsurance from GEM, without GEM posting any security. GEM previously provided Wisconsin Municipal Mutual with an LOC, but converted this to a Section 114 trust account effective January 1, 2007. The value of this trust was \$904,716 as of December 31, 2007 and is included within cash and cash equivalents. Upon reaching a surplus level of \$20 million, the Company may seek to become an admitted reinsurer in various states in which its member pools are located.

GEM received permission in its initial business plan to insure self-insured public entities. However, through December 31, 2007 the Company had not insured any self-insured public entities, which, due to GEM's non-admitted status, would likely require a fronting arrangement in order to meet municipal insurance requirements.

With the Department's approval, the Company is self-managed. Its daily business operations, including underwriting of liability and workers' compensation policies, claims administration, and other functions are managed by its own employees. However, the Company had outsourced the underwriting of its property program for the policy years covered by this examination. Beginning with the 2009 policy year, the Company planned on bringing the property underwriting back in-house and had engaged a consultant to assist in the design and

implementation of an underwriting model. In addition, the Company outsources its accounting and regulatory reporting services.

The Company contracts with an independent investment consultant to recommend changes to investment policy, monitor policy compliance and provide periodic investment reports to the board of directors. The Company has also retained an investment manager to provide investment management services and custodial services.

### **INSURANCE PRODUCTS AND RELATED PRACTICES**

This examination was a financial examination, and did not include market conduct procedures. An examination of the market conduct affairs of the Company has never been conducted. A market conduct examination would include detailed reviews (if applicable) of a Company's sales and advertising, agent licensing, timeliness of claims processing, and complaint handling practices and procedures.

The scope of our examination did not include market conduct procedures, including, but not limited to, market conduct procedures in the following areas:

- Policy Forms
- Fair Underwriting Practices
- Advertising and Sales Materials
- Treatment of Policyholders:
  - Claims Processing (Timeliness)
  - Complaints

### **REINSURANCE**

The Company assumes liability, property, and workers' compensation insurance risks from its members. The Company then cedes a portion of its risks through facultative and treaty retrocessional contracts. During the period under examination, the Company had retrocession agreements in place for property. The Company did not retrocede its liability risks for the 2004 policy year, but did retrocede its liability risks for the 2003 and 2005 to 2007 policy years. All of the Company's reinsurers are rated A or A+ by A.M Best. Our review of selected assumed and ceded reinsurance contracts disclosed no unusual provisions.

Due to statutory requirements its members are subject to for workers' compensation coverage, the Company only writes small layers of workers' compensation coverage. GEM does not retrocede any of this coverage.

The Company ceded premiums totaling approximately \$5.4 million during 2007, and as of December 31, 2007 had recorded reinsurance recoverables on ceded business totaling approximately \$9,452,000, \$1,328,000 of which represented ceded unearned premiums. If the

reinsurers were not able to meet their obligations under these agreements, the Company would be liable for any defaulted amounts.

### **ACCOUNTS AND RECORDS**

The primary location of the Company's books and records are at the offices of the Company, in Concord, New Hampshire.

The Company's general accounting records consist of an automated general ledger and various subsidiary ledgers. Our review disclosed no significant deficiencies in these records.

## **FINANCIAL STATEMENTS**

The following financial statements, prepared in accordance with Statutory Accounting Principles (SAP), reflect the financial condition of the Company as of December 31, 2007, as determined by this examination:

<b><u>STATEMENT</u></b>	<b><u>PAGE</u></b>
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The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

## BALANCE SHEET

### ASSETS

	<i>Assets</i> <i>December 31, 2007</i>
Bonds	\$ 29,370,072
Common stocks	2,121,065
Cash (\$ 5,031,827), cash equivalents (\$ 6,689,108) and short-term investments (\$ 728,743)	12,449,678
Receivables for securities	<u>7,904</u>
Subtotals, cash and invested assets	\$ 43,948,719
Investment income due and accrued	327,929
Electronic data processing equipment and software	15,317
Aggregate write-ins for other than invested assets	<u>7,875</u>
Total	<u>\$ 44,299,840</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	<i>December 31, 2007</i>
Losses ( <b>NOTE 1</b> )	\$ 19,227,975
Loss adjustment expenses ( <b>NOTE 1</b> )	1,462,924
Other expenses (excluding taxes, licenses and fees)	205,070
Taxes, licenses and fees (excluding federal and foreign income taxes)	30,143
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$1,327,935 and including warranty reserves of \$0)	2,339,427
Ceded reinsurance premiums payable (net of ceding commissions)	15,832
Payable for securities	<u>4,347,375</u>
Total liabilities	\$ 27,628,746
Gross paid in and contributed surplus	14,342,370
Unassigned funds (surplus)	<u>2,328,724</u>
Surplus as regards policyholders	\$ 16,671,094
Totals	<u><u>\$ 44,299,840</u></u>

## STATEMENT OF INCOME

	<u>2007</u>
UNDERWRITING INCOME	
Premiums earned	\$ 7,760,234
DEDUCTIONS	
Losses incurred	\$ 10,786,268
Loss expenses incurred (NOTE 2)	(4,736,218)
Other underwriting expenses incurred	1,544,200
Total underwriting deductions	\$ <u>7,594,250</u>
Net underwriting gain	\$ 165,984
INVESTMENT INCOME	
Net investment income earned	\$ 1,876,916
Net realized capital losses	(106,329)
Net investment gain	\$ <u>1,770,587</u>
OTHER INCOME	
Aggregate write-in for miscellaneous income	\$ <u>782</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 1,937,353
Federal and foreign income taxes incurred	\$ <u>0</u>
Net income	\$ <u><u>1,937,353</u></u>

## **CAPITAL AND SURPLUS ACCOUNT**

Initial paid in capital	\$ 5,000
Net income, 2002	0
Net change in surplus as regards policyholders, 2002	5,000
Surplus as regards policyholders, December 31, 2002	\$ 5,000
Net income, 2003	595,858
Change in net unrealized capital gains or (losses)	(17,906)
Change in nonadmitted assets	(62,753)
Paid in capital	9,438,619
Net change in surplus as regards policyholders, 2003	9,953,818
Surplus as regards policyholders, December 31, 2003	\$ 9,958,818
Net loss, 2004	(745,188)
Change in net unrealized capital gains or (losses)	(30,740)
Change in nonadmitted assets	6,355
Paid in capital	654,858
Net change in surplus as regards policyholders, 2004	(114,715)
Surplus as regards policyholders, December 31, 2004	\$ 9,844,103
Net income, 2005	505,683
Change in net unrealized capital gains or (losses)	83,140
Change in nonadmitted assets	13,841
Paid in capital	3,613,895
Net change in surplus as regards policyholders, 2005	4,216,559
Surplus as regards policyholders, December 31, 2005	\$ 14,060,662
Net loss, 2006	(225,791)
Change in net unrealized capital gains or (losses)	207,972
Change in nonadmitted assets	(21,143)
Paid in capital	5,000
Net change in surplus as regards policyholders, 2006	(33,962)
Surplus as regards policyholders, December 31, 2006	\$ 14,026,700
Net income, 2007	1,937,353
Change in net unrealized capital gains or (losses)	60,687
Change in nonadmitted assets	21,354
Paid in capital	625,000
Net change in surplus as regards policyholders, 2007	2,644,394
Surplus as regards policyholders, December 31, 2007	\$ 16,671,094

### **ANALYSIS OF EXAMINATION CHANGES TO SURPLUS**

There were no changes to the Company's surplus as a result of our examination.

### **COMPARATIVE FINANCIAL POSITION OF THE COMPANY**

The comparative financial position of the Company for the periods since inception is as follows:

	2007	2006	2005	2004	2003
Assets	\$ 44,299,840	\$ 40,701,719	\$ 30,092,614	\$20,178,102	\$ 13,577,560
Liabilities	27,628,746	26,675,019	16,031,952	10,333,999	3,618,742
Capital and surplus	16,671,094	14,026,700	14,060,662	9,844,103	9,958,818
Gross written premium	13,358,788	13,135,830	10,258,335	6,892,736	6,145,631
Net earned premium	7,760,234	7,738,483	7,657,868	6,082,846	3,828,201
Net investment income	1,770,587	1,306,208	599,065	559,416	371,315
Net income (loss)	\$ 1,937,353	\$ (225,791)	\$ 505,683	\$ (745,188)	\$ 595,858

**Note:** Amounts in the preceding financial statements for the years ended December 31, 2003 through 2006 were taken from the Company's Annual Statements as filed with the Department. Amounts for the year ended December 31, 2007 are amounts per examination.

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – Loss and Loss Adjustment Expenses Reserves:**

The Company reported “Losses” and “Loss adjustment expenses” reserves totaling \$19,227,975 and \$1,462,924, respectively. These reserves, which represent management’s best estimate of the amounts necessary to pay all claims and related expenses that had been incurred but still unpaid as of December 31, 2007, are shown net of estimated amounts recoverable from various reinsurance companies under the Company’s reinsurance treaties. Reserve credits taken as of December 31, 2007 for cessions to reinsurers totaled approximately \$8,124,000 (\$7,712,000 for Losses and \$412,000 for Loss adjustment expenses). If the reinsurers were not able to meet their obligations under the reinsurance treaties, the Company would be liable for any defaulted amounts.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2007, were reviewed as part of our examination. As part of our review, we relied on the Company’s independent actuary, who concluded that the Company’s reserves appeared to be sufficient.

### **NOTE 2 – Negative Loss Adjustment Expenses Incurred:**

During 2007, the Company determined its historical reserving practices for establishing “Loss adjustment expenses” (LAE) reserves resulted in redundant LAE reserves. Historically the Company estimated loss adjustment expenses based on the assumption that LAE amounts would represent a certain percentage of losses incurred. However, the Company’s experience was that the majority of expenses to administer losses were incurred by its insureds, and as a reinsurer, GEM incurred significantly less loss adjustment expenses than initially estimated in its original business plan. As a result, during 2007 the Company decreased its LAE reserves. This resulted in negative LAE incurred for the year 2007.

### **COMMENTS AND RECOMMENDATIONS**

During our examination, no issues warranting comments or recommendations in this examination report were noted.

## CONCLUSION

Our examination disclosed that as of December 31, 2007 the Company had:

Admitted Assets	\$ 44,299,840
Liabilities and Reserves	27,628,746
Gross Paid In and Contributed Surplus	14,342,370
Unassigned Funds (Surplus)	2,328,724
Total Surplus	16,671,094
Total Liabilities, Capital and Surplus	\$ 44,299,840

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2007, and the accompanying statement of income properly presents the results of operations for the period then ended.


Chapter 39 (“CAPTIVE INSURANCE COMPANIES”) of Title 31 (“Insurance and Securities”) of the D.C. Official Code specifies the level of capital and surplus required for the Company. We concluded that the Company’s capital and surplus funds exceeded the minimum requirements during the period under examination.

## SIGNATURES

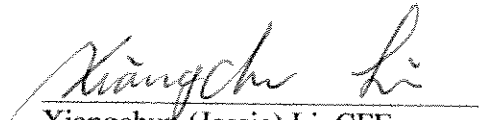
In addition to the undersigned, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

Christina M. Bonney, Collins Consulting, Inc.  
Terry Corlett, AFE, CIE, FLMI, Collins Consulting, Inc.  
John G. Gantz, Collins Consulting, Inc.

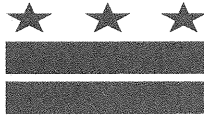
Respectfully submitted,

  
Pamela C. Woodroffe  
Examiner-In-Charge  
Collins Consulting, Inc.

Under the Supervision of,

  
Xiangchun (Jessie) Li, CFE  
Supervising Examiner  
District of Columbia Department of Insurance,  
Securities and Banking

**Government of the District of Columbia**  
**Department of Insurance, Securities and Banking**



**Thomas E. Hampton**  
**Commissioner**

February 3, 2009

John M. Foehl, Jr.  
President  
Government Entities Mutual, Inc.  
1250 H Street NW, Suite 901  
Washington, DC 20005

Dear Mr. Foehl:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of **Government Entities Mutual, Inc.**, as of December 31, 2007.

Please submit, to my attention, a written response calling attention to any errors or omissions in the draft Report. If there are no errors or omissions to be brought to our attention, please submit a statement that the Company accepts the Report.

The response must be in writing and shall be furnished to this Department within **thirty (30) days from the date of this letter (March 5, 2009)**. In addition to a hard-copy response, please also furnish the response electronically via e-mail to me, in a Microsoft "Word" format, to [sean.o'donnell@dc.gov](mailto:sean.o'donnell@dc.gov).

Sincerely,

A handwritten signature in black ink, reading "P. Sean O'Donnell".

P. Sean O'Donnell  
Director of Financial Examination,  
Risk Finance Bureau

Enclosure



GOVERNMENT ENTITIES MUTUAL, INC.

February 17, 2009

P. Sean O'Donnell  
Director of Financial Examination  
Risk Finance Bureau  
810 First Street, NE Suite 701  
Washington, DC 20002

RE: Revisions to the Draft Report of Examination dated 12.31.07

Dear Sean:

As required pursuant to your letter dated February 3, 2009, Government Entities Mutual, Inc. is requesting that the Department make the following corrections to the draft Report of Examination dated December 31, 2007.

- On pages 2 & 6 of the report, please change the number of GEM members to eighteen from nineteen. At 12/31/07 GEM had eighteen participating members. SDRMA is no longer buying insurance from GEM, however they retain a \$5,000 member surplus position which is reported as part of members' equity;
- On page 6 of the report, we have added clarifying language on GEM's tax status based on our exemption from taxes under Section 115 of the IRS Code.

We have included an edited version of the report with these corrections for your convenience. Other than these minor corrections the report is correct as stated. If you need anything further please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'John M. Foehl, Jr.', with a stylized flourish at the end.

John M. Foehl, Jr.  
President

*A reinsurance captive controlled by and serving public entity pools.*

Executive Offices: 46 Donovan Street, Suite #1, Concord, NH 03301 • Domiciliary Office: 1250 H Street, N.W., Washington, D.C. 20005  
ph: (866) 342-5436 • fax: (202) 318-3220 • findus@gemre.com

**Government of the District of Columbia**  
**Department of Insurance, Securities and Banking**



**Thomas E. Hampton**  
**Commissioner**

February 19, 2009

John M. Foehl, Jr.  
President  
Government Entities Mutual, Inc.  
1250 H Street NW, Suite 901  
Washington, DC 20005

Dear Mr. Foehl:

We are in receipt of your response, dated February 17, 2009, regarding the Report on Examination of **Government Entities Mutual, Inc.** ("GEM" or "Company"), as of December 31, 2007. The response is deemed adequate, and we have made the corrections to the exam report as indicated in your response.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10 day period has passed, the Report will be publicly available. The Department of Insurance, Securities and Banking will forward the adopted Report electronically to each Commissioner whose name is set forth on Page 1 of the Report, as well as to the National Association of Insurance Commissioners, and to each state in which the Company is registered.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each Company director stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-535-1169 if you have any questions.

Sincerely,

P. Sean O'Donnell  
Director of Financial Examination  
Risk Finance Bureau

Enclosures